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COST OF INDUSTRIAL PRODUCTION AND PRICES OF
AGRICULTURAL PRODUCTS IN CHINA, 1953

[Summary: The following items present information on the cost of industrial production and the prices of agricultural products in China in 1953. Sales-promotion teams and general merchandise stores have violated price policies by selling products cheaper in rural than in urban areas. Industrial production costs can be reduced by using materials, machinery, and labor more efficiently. Adjustment of prices for grain and industrial products has given the farmer a greater income in the Central-South Administrative Area.]

PRICE POLICY VIOLATIONS -- Tientsin, Ta Kung Pao, 1 Dec 53

On 19 September 1953, the Yeh Hsien Trading Company [Honan Province] was directed to reduce the price of white sugar from 5,600 yuan to 5,300 yuan per catty. At this time the sugar market was very active. The trading officials failed to carry out this order until 2 days later; this was a serious violation of our price policy and prevented the establishment of uniform prices.

During the first part of October 1953, a more serious violation of our urban-rural price policy was made by a merchandise sales-promotion team in Lin-ying Hsien [Honan Province] by arbitrarily establishing a selling price of 65,000 yuan for a dozen Fan-yung-i steel pens. In the Hsu-ch'ang Special Administrative Area [Honan Province] (the source of supply), these pens sold for 165,000 yuan per dozen. These pens should have sold for 166,200 yuan per dozen in Lin-ying Hsien. As it was, the selling price was 100,500 yuan less than that necessary for compliance with our urban-rural price policy.

In mid-October 1953, the Chia Hsien [Honan Province] General Merchandise Store also violated the urban-rural price differential program by altering the prices of 109 items. Some of the items were priced lower than in the Hsu-ch'ang Special Administrative Area and did not cover the freight charges from Hsu-ch'ang to Chia Hsien. For example, the wholesale selling price for a case of Shih-t'a or Shanghai matches at the Hsu-ch'ang General Merchandise Store was 905,500 yuan, but only 904,400 yuan at Chia Hsien.

PRODUCTION COSTS -- Tientsin, Ta Kung Pao, 3 Dec 53

In industrial production, the raw and processed materials used in a product comprise nearly two thirds of the total production cost. As labor becomes more efficient, this expense item will correspondingly increase unless full utilization is made of all materials by decreasing the amount of material wasted by workers and by using better machinery. The use of second-hand goods and synthetic materials in a product will also help to reduce the total cost of the product. For example, if materials in a product comprise 90 percent of its total cost and fuel 6 percent of its total cost, then a 2.1 percent saving would be made on the finished product by reducing material costs 5 percent and fuel costs 10 percent.

The wear on a machine in operation is twice as much per hour as on an idle machine. When a machine is in operation for two successive shifts, its depreciation for a 24-hour period is 25 percent greater than that of a machine in operation for one shift. However, since its production is doubled, depreciation expense per unit of production is thus actually reduced 37.5 percent.

DISTRIBUTION OF AGRICULTURAL PRODUCTS -- Shanghai, Wen-hui Pao, 13 Dec 53

During the first three quarters of 1953, the Central-South China Administrative Area supplied 750,000 tons of chemical and miscellaneous fertilizers to 6,000 village marketing and supply cooperatives. This was double the amount supplied during the entire previous year. In 1953, when the new grain crop arrived at the market, the People's Government reduced the price of household commodities and industrial products and appropriately increased the price of grain. It is estimated that this will result in an additional income of more than one trillion yuan for the farmers of this area. In 1953 the price differential between industrial products and grain was 16 percent less than during 1950. This has facilitated urban-rural trade.

On behalf of the farmers, small-scale trade fairs and public trading companies have promoted, during 1953, the sale of 4 trillion yuan of local and supplementary industry products in the Central-South China Administrative Area. This enabled the farmers to make investments for greater agricultural production and to make more purchases of essential industrial products.

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